TSR Workshop #1 BC Hydro's Responses to Questions

TSR RS 1823 Rate Restructuring engagement session

February 9, 2021

WebEx / BC Hydro

Type of Meeting	Transmission Service Rate (TSR) Workshop – Customers and Stakeholders
Agenda	• Opening Remarks • Default Transmission Service Rates • Other Transmission Service Rates • Closing Remarks

BC Hydro Presenters: **Keith Anderson, David Keir, Anthea Jubb, Allan Chung, Fred James**

Actions or Tasks following workshop:

- **BC Hydro written responses to questions and comments raised during virtual workshop #1**

Questions and Answers:

1. Question from a participant: 9:45 AM

To meet the electrification and competitiveness objectives, why not implement a lower rate overall?

BC Hydro is engaging customers to obtain feedback on prospective rate re-structuring proposals. Electrification and industrial competitiveness are important considerations. BC Hydro needs to ensure that rates are fair for all customers. For instance, if a lower overall rate for industrial customers did not recover sufficient revenue from the transmission customer class, this could have negative cost implications for BC Hydro's other customer classes (e.g., residential and commercial).

2. Question from a participant: 9:49 AM

Could we have a flat rate to give us more price certainty and allow businesses to recover from the Covid downturn?

BC Hydro has recently applied to extend the RS 1823 Pricing Principles for two years to the end of fiscal 2023. This will maintain the status quo and provide stability over the short-term and during the recovery from the COVID downturn.

If RS 1823 is restructured to a flat rate, it should provide price certainty in the longer-term and be easy for customers to budget for and manage.

3. Question from a participant: 9:51 AM

Considering Site C costs, how can your true marginal costs be 3 or 4 cents?

For clarity, we note that in the context of this presentation, BC Hydro refers to the marginal cost of energy only.

Site C is a committed resource. Since BC Hydro expects to be in an energy surplus position for the next 10 years including the energy contribution from Site C, the reference price for our marginal cost of energy cost during this time is based on the BC sell price which is the Mid-C market price at the BC Border adjusted for transmission costs associated with line losses and wheeling.

4. Question from a participant: 9:51 AM

What is the reason for the drop in marginal rate?

BC Hydro's energy load resource balance indicates that it is in a surplus position for approximately the next ten years. As such, the marginal rate is based on BC sell price which is the Mid-C market price at the BC Border adjusted for transmission costs associated with line losses and wheeling. The Tier 2 price of 10 c/kWh is based on the outdated lower end of the energy long run marginal cost range specified in the 2013 IRP.

5. Question from a participant: 9:51 AM

Is BC Hydro satisfied with the current recovery of 16% of revenue from 1823 customers?

As shown in slide 8, BC Hydro is concerned with the declining industrial load and revenue. Changing the price signal to use more may help to increase load and revenue.

6. Question from a participant: 9:53 AM

How does BC Hydro plan on addressing the equity issues within the industrial class by "rate flattening"?

BC Hydro will be exploring alternative rate designs that meets its rate design objectives as well as potential rate transition and bill mitigation approaches.

7. Question from a participant: 9:55 AM

Will BCH continue to maintain a Tier 2 rate even if there is flattening for the purposes of RS1880 and RS1828?

BC Hydro is engaging customers on various rate design concepts and the impact on other rates that may arise directly or indirectly from the restructuring of RS 1823. BC Hydro is seeking feedback on whether the RS 1880 energy charge should be reviewed. If RS 1823 is re-structured, BC Hydro expects that RS 1828 energy pricing would need to be set, or directed, through a separate process to maintain the intent of the Biomass Energy Program.

8. Question from a participant: 9:57 AM

Will these slides be available?

slides are available at this link: https://www.bchydro.com/toolbar/about/planning_regulatory/regulatory.html

9. Comment from a participant: 9:58 AM

New 1895 Fuel Switch rate 20 GWhr is too high needs to be lower 10 GWhr

10. Question from a participant: 10:00 AM

I will clarify on "equity" - there will be winners and losers if you flatten the rate - how will you address the potential for rate shock for some and free ridership for others?

BC Hydro proposes to address bill impacts of rate restructuring through mitigation measures such as a multi-year transition period. We are also interested in hearing from customers and stakeholders if they have ideas of other potential mitigation measures.

11. Question from a participant: 10:01 AM

Has BC Hydro considered that a flat rate will negate any smart plant design energy saving for new, more efficient plants?

BC Hydro acknowledges concerns from customers who have made investments in customer funded demand side management under the current Rate Schedule 1823 and Tariff Supplement 74 framework.

BC Hydro proposes to address bill impacts of rate restructuring through mitigation measures such as a multi-year transition period. We are also interested in hearing from customers and stakeholders if they have ideas of other potential mitigation measures, and other potential rate design concepts.

12. Question from a participant: 10:01 AM

Many customers have made substantial capital investments to control their power costs under the current RS1823. This erodes the benefits of these investments. This creates an inequity between customers. How does BC hydro plan to mitigate this?

BC Hydro acknowledges concerns from customers who have made investments in customer funded demand side management under the current Rate Schedule 1823 and Tariff Supplement 74 framework.

BC Hydro proposes to address bill impacts of rate restructuring through mitigation measures such as a multi-year transition period. We are also interested in hearing from customers and stakeholders if they have ideas of other potential mitigation measures, and other potential rate design concepts.

13. Question from a participant: 10:03 AM

Does the export of BCH clean green electricity come into play? i.e. decarbonizing the North American grid?

One of BC Hydro's rate design objectives is decarbonization through encouraging electrification in BC.

14. Question from a participant: 10:04 AM

What has BCH assumed for price elasticity in its modelling? most large industrial users are extremely sensitive to marginal manufacturing costs - making all of the delivered energy more expensive will likely result in load destruction.

BC Hydro has not modelled potential load impacts of a flat rate and therefore has not assumed any price elasticity.

15. Comment from a participant to everyone: 10:05 AM

Behind the meter energy recovery projects will not displace Tier 2 power and thus based on just displacing electricity at the average cost. On this basis most are not economical.

16. Comment from a participant to everyone: 10:05 AM

The previous policy was focussed on energy reduction and conservation, resulting in a reduction in revenue. It seems like a step back and now increasing rates will erode all the previous gains in energy savings. These customers at the lower end of the Tier 2 volume will see the greatest increase in pricing.

17. Question from a participant: 10:06 AM

How will BC Hydro recover their power smart project incentive funding? If the rate is flattened, the CBL adjustment used to re-coup their investment is lost?

If the rate is flattened, and customers no longer have a CBL then any energy savings for customer-funded DSM will be valued at the flat rate.

Customers that have made BC Hydro funded DSM investments will continue to be subject to the terms of their incentive funding agreement.

18. Comment from a participant: 10:06 AM

Businesses require rates that reflect their needs. Uninterruptible rates and lower cost interruptible rates (to make use of stranded transmission lines)

19. Question from a participant everyone: 10:07 AM

Slide 21. If the objective is to encourage electrification and decarbonization, why, the recent government announcement, was oil and gas excluded?

BC Hydro understands this question relates to eligibility criteria for the recently announced CleanBC industrial electrification rates (RS 1894 and RS 1895). These rates were directed by government Order in Council and are not considered as part of the RS 1823 re-structuring project.

RS 1894 is for clean industry and innovation. RS 1895 is for fuel switching from a hydrocarbon fuel to clean grid electricity. Both rates offer a fixed discount to standard RS 1823 electricity pricing over a seven year term. BC Hydro confirms that RS 1895 is available to a segment of the oil and gas industry, including upstream natural gas processing.

20. Question from a participant to everyone: 10:10 AM

When was the last BCUC review of the Cost of Service methodology? is it recent?

The last BCUC review of BC Hydro's Cost of Service methodology was in BC Hydro's 2015 Rate Design Application proceeding. BC Hydro also annually files its FACOS study based on actual load and cost data.

21. Comment from a participant: 10:10 AM

Rate design should also ensure equitable contribution to Hydro's fixed costs by all customer groups

22. Question from a participant: 10:11 AM

Following on from the price elasticity question, does BC Hydro consider the impact of relative cost of alternative energy sources, in B.C. and other competing jurisdictions, and the potential for carbon leakage (and investment leakage) as a result of potential increased electricity prices which some customers may face from a change in the rate design in B.C.?

BC Hydro has not considered the possibility of investment leakage that may result from potential increased electricity prices that some customers face from a flat rate.

23. Comment from a participant to everyone: 10:17 AM

We agree with you Geoff, one way to equal the playing field would be to have access to market rates (Mid-C) and pay for the delivery of power. This could be an interruptible rate.

24. Question from a participant: 10:18 AM

When does BC Hydro expect to receive the report of the second phase of the government's comprehensive review of BC Hydro?

BC Hydro does not currently know when this report will be received.

25. Question from a participant: 10:20 AM

Will customers be able to see what BCH is assuming for their F22 load and demand?

Please contact your Key Account Manager for any customer-specific data and/or analysis support.

26. Question from a participant: 10:23 AM

If energy sales increase in the Transmission rate group, do the Transmission rates decrease to meet the revenue target?

If energy sales increase for the TSR class over what was forecast, any variances due to changes in actual and forecast consumption is captured in a regulatory account. The variances in this account are deferred and may affect future rates.

27. Question from a participant to everyone: 10:23 AM

Flattening the rate and making more predictable could be beneficial but cannot be done at the cost of increasing current power pricing on customers who have worked hard to ensure they can maximize their tier 1 rates and minimize tier 2 charges. If the target of the rate flattening is for BC Hydro to increase industrial load having a flat rate at current tier 1 pricing or lower would encourage load to be increased. There has to be a risk taken on BC Hydro end to put this rate out and attempt to acquire new load with predication of additional loads to help with remaining revenue neutrality. Can BC Hydro put forward a scenario that utilizes a predictive model that holds flat at tier 1 rate or lower and what they need for additional load to cover off this cost and seek customers to commit to this power to allow this rate change to benefit all and have no negative impact to any customers?

BC Hydro will consider this suggestion and is open to exploring the concept with customers in more detail at the next workshop.

28. Question from a participant to everyone: 10:24 AM

There appears to be a shift away from "conservation" as I have not yet heard the word mentioned, except in the questions. Conservation is a key component for a low carbon economy. With the lower energy costs, it will be even more of a challenge to justify energy reduction initiatives as NPV and payback will be less attractive. What is built into the new rates to incentivise conservation?

The flat rate scenarios value conservation at the demand and energy prices shown.

29. Question from a participant to everyone: 10:25 AM

Do you have a scenario with an MC based energy charge and demand charge adjusted to meet revenue requirement -- with an option for TOU and seasonal adjustments in the MC rate?

BC Hydro has not modelled this scenario, although pricing scenarios 2 and 3 have energy charges that are closer to its marginal cost of energy. BC Hydro will further consider the scenario noted.

30. Question from a participant: 10:25 AM

How does BC Hydro address the issue of increased rate volatility for customers with a shift to higher demand charges with Bonbright principles of "rate stability" and "undue discrimination"?

A shift to higher demand charges would be more cost reflective. BC Hydro would consider rate transitions to attempt to mitigate rate shock that low load factor customers may experience as a result of a shift to higher demand charges

31. Comment from a participant to everyone: 10:26 AM

If decarbonization is a primary driver, the three scenarios seem over-simplified and risk inefficient use of electricity.

32. Comment form a participant to everyone: 10:27 AM

Bonbright criteria are inherited from a time long before the world started dealing with climate change and need a significant update to address social policy imperatives.

33. Question from a participant to everyone: 10:28 AM

Hypothetical Scenario 4: What would be the effect on energy rate if 100% of the demand cost was to be included in the energy rate?

BC Hydro has not considered this scenario as an energy only rate would place significant risk on BC Hydro of not recovering all its fixed costs.

34. Question from a participant to everyone: 10:34 AM

Will the March 31st compliance filing to the BCUC be made public?

Yes, this will be available at bchydro.com under regulatory filings, filings from January 1, 2019 to date:

https://www.bchydro.com/toolbar/about/planning_regulatory/regulatory_documents/regulatory-filings.html

35. Question from a participant to everyone: 10:35 AM

Has BC Hydro analyzed these scenarios against the Hydro-Quebec rate benchmarks to show the relative impacts on competitiveness?

BC Hydro has not analyzed these scenarios against the Hydro-Quebec benchmarks to show the relative impacts on competitiveness. These scenarios may not significantly change BC Hydro's standing in the Hydro Quebec ranking using loads for typical large high low factor customers because:

- **these pricing scenarios are all revenue neutral on a forecast basis**
- **the Hydro Quebec study uses RS 1823 flat energy rate for the rate comparisons**
- **the pricing scenario bill impact results for RS 1823 flat rate high load factor customers showed minor bill decreases.**

To confirm this, BC Hydro could undertake competitive benchmark analysis of proposed rates as part of the application development process.

36. Question from a participant to everyone: 10:36 AM

Can "average" demand be implemented with this rate design?

BC Hydro applied "average" billing demand for up to six months as part of its industrial COVID-19 relief measures for transmission service customers. The relief was provided on a temporary basis under Tariff Supplement 5, which allows for billing adjustments to decrease Customer's bills in the event of unusual or unanticipated conditions or events.

"Average demand" is not proposed as part of this rate design since it would lead to a reduction in revenue. BC Hydro would need to increase the energy charge for the rate to remain revenue neutral. It also raises fairness issues regarding the allocation of demand related costs.

37. Question from a participant to everyone: 10:37 AM

Can BCH commit to work with companies to offset any increases in energy costs (to make it neutral)?

BC Hydro recognizes that customer bill impacts are a concern and will consider ways to mitigate bill impacts. BC Hydro will seek feedback on alternative rate designs and transition strategies.

38. Question from a participant: 10:38 AM

There is something really wrong when some customers can see increases greater than 25%? (ref. Slide 28)

As noted, BC Hydro is seeking feedback from this workshop on customer concerns with bill impacts:

- **Slide 28 does show that some customer sites may face bill increases more than 25 percent without rate transition in pricing scenarios 2 and 3. BC Hydro has used 10 percent (including RRA increase) as its bill impact test in the 2015 Rate Design Application. This is viewed more as an 'amber light' as BCUC would also likely consider dollar impacts as part of its review. If the bill impact percent is greater than 10 percent, but the dollar impact is low, BCUC might deem as acceptable.**
- **BC Hydro is also using F2020 actual sales as a sensitivity to the F2022 load forecast in Workshop #2. It is also exploring alternative rate designs in Workshop #2.**
- **BC Hydro would consider rate transition and other bill mitigation approaches in a subsequent workshop to consider these concerns.**

39. Question from a participant to everyone: 10:40 AM

With the proposed rate scenarios, will rates like RS1892 and RS1893 still be available?

Yes, if RS 1823 is replaced with a new default rate for firm service, optional non-firm rates such as RS 1892 and RS 1893 would continue to be available although some modifications may be required to ensure proper harmonization as described in the response to question 56.

40. Question from a participant: 10:41 AM

How can a scenario occur where an impact is in the 25%+ range? can you give a scenario/example?

Customers with low load factors may face higher bill increases under Scenarios 2 and 3.

Load factor is a measure of electricity utilization. It is average use per hour over a period over peak use. A higher load factor indicates more steady use, while a low load factor indicates more peaky usage.

A low load factor customer will experience relatively larger bill impacts with rates that have larger demand charges since their bill will comprise of a larger share of demand charge cost.

41. Question from a participant: 10:42 AM

Have you done the bill impacts of these scenarios on RS1828 customers?

No. Any prospective impacts that might arise from RS 1823 re-structuring on RS 1828, which is a rate that was directed by Government, will be considered separately.

42. Question from a participant to everyone: 10:44 AM

For RS1892, will customers be able to choose their uninterruptible capacity based on their site operations?

The terms and conditions of RS 1892 will continue to apply. There is no present ability for the customer to choose their uninterruptible capacity.

43. Question from a participant to everyone: 10:44 AM

What is the average load factor in the rate class?

The average estimated load factor based on Fiscal 2019 data for the transmission service rate class is 69.4 percent (with a 95% power factor assumption).

44. Question from a participant to everyone: 10:45 AM

Hydro Quebec Rate L has a high demand charge ($12.90/kW) but it has a credit for high voltage customers - up to $3.56/kW for customers taking power at >170kV. Can demand credits be considered?

Hydro Quebec's monthly high-voltage credit of $3.54 per kW is for when Hydro-Québec supplies electricity at high voltage (170 kV) and the customer utilizes it at this voltage or transforms it at no cost to Hydro-Québec.

BC Hydro has not previously examined demand credits for its demand charge and is determining whether there is customer interest in this concept in Workshop #2. This may require a more detailed cost of service study that includes more granular examination of demand related costs at different service voltage levels.

45. Question from a participant to everyone: 10:45 AM

Does BC Hydro consider the unintended consequences of the negative impacts of future electrification investment (in a world of scarce capital) by of increasing rates on existing customers who have made investments to electrify and/or improve energy efficiency? Could this have a chilling impact on electrification in sectors poised to grow industrial demand?

One of the objectives of rate restructuring is to provide more efficient price signals that align better with BC Hydro's marginal energy costs. The current high Tier 2 marginal energy price signal compounds the problem of declining industrial loads and its impact on revenue from this sector. Lower marginal price signals are aligned with increased electrification.

BC Hydro is considering concerns regarding customers that have made investments to electrify and/or improve energy efficiency under the Stepped Rate. BC Hydro is examining transition and bill mitigation approaches, including for customers that have made significant capital investments. BC Hydro is also considering alternative rate designs.

46. Question from a participant to everyone: 10:46 AM

Could the transmission rate overall be decreased (and residential decreased) to reflect cost of service and mitigate the bill impacts of 95% CBL customers?

Rate rebalancing is not in the scope of the RS 1823 Rate Restructuring application.

47. Comment from a participant to everyone: 10:46 AM

We had "average" demand as one of the COVID reliefs in 2020.

48. Question from a participant to everyone: 10:47 AM

It appears that customers that complied with the previous rate design objectives are those that are the worst off under the new proposals - is this a correct interpretation?

Generally, with rate flattening for the transmission class, those customers that are consuming more Tier 2 energy or that take service under RS1823A or RS 1827 will see bill decreases and those consuming only Tier 1 energy will see bill increases.

In Workshop #1, BC Hydro is seeking feedback from customers regarding their concerns including those that have may have responded to the Stepped Rate structure. BC Hydro will explore rate design alternatives and bill mitigation strategies to find a balance in limiting bill impacts to customers and transitioning to flat rates.

49. Question from a participant: 10:50 AM

How does BCH compare to other provinces in terms of energy cost in the manufacturing sector?

BC Hydro provides the rankings with other utilities in Hydro Quebec's 2020 Rate Comparison Survey for large power. Based on the Hydro Quebec survey of 22 utilities, BC Hydro is in the first quartile for large power. The Hydro-Quebec large power segment includes calculations for BC Hydro's general service and transmission service customers who are 5,000 kW and over. BC Hydro ranks fifth out of 22 utilities for the various large transmission service consumption categories that have bills calculated using RS 1823.

50. Comment from a participant to everyone: 10:57

Building on a point, for companies who have invested in efficiency programs per the intent of the inclining block stepped rate of RS 1823, they will now be penalized with higher rates due to the proposed rate flattening. To Geoff's point, this will likely have a chilling effect on future electrification projects as those operators will have been potentially significantly impacted by B.C. Hydro "changing the rules" for existing customers and will be unlikely to want to commit to future electrification projects with B.C. Hydro. This particularly applies to the upstream oil and natural gas sector where customers have options to self-supply their sites.

51. Comment from a participant to everyone: 11:04 AM

The comment is 100%. I would like to add that the same producers who have opted to electrify their infrastructure have decarbonized their operations in the process.

52. Comment from a participant to everyone: 11:04 AM

For the typical mining load, time of day rates are negative.

53. Question from a participant to everyone: 11:07 AM

Could we simplify rates to fit onto two pages?

While simplicity and brevity are goals when drafting rate schedules and tariff supplements, it is often not possible for them to fit onto two pages, because details are needed to provide clarity and certainty to both BC Hydro and customers.

54. Comment from a participant to everyone: 11:14 AM

Can look at Hydro Quebec for simplicity. Just 3 numbers: Energy rate, Demand Rate and Demand credits. Plus it has a load curtailment program for the winter months. It doesn't need to be complex when it has low rates!

55. Question from a participant to everyone: 11:22 AM

Is a condition for being on RS 1891 Shore Power that BCH does not have to increase the capacity of its supply to the pier?

Yes. RS 1891 Shore Power Service is non-firm and interruptible. In accordance with Special Condition 1 of RS 1891, BC Hydro will only provide electricity to the extent that it has energy and capacity to do so. For greater certainty, BC Hydro will not be required to construct a System Reinforcement under Tariff Supplement No. 6 to provide Shore Power Service.

It is the customer's obligation to ensure they have the appropriate electrical infrastructure in place to provide shore power service and to work with BC Hydro in advance to assess the electricity supply capability of the system absent any System Reinforcement.

56. Question from a participant to everyone: 11:23 AM

Will current baselines for RS1892 and RS1893 remain if there is a change in RS1823?

If RS 1823 is restructured, customers may operate differently. Should this occur, the customer-specific baselines of "normal operations" under RS 1892 and RS 1893 may need to be revised. BC Hydro would likely review the applicable baselines with each participant customer in accordance with

Special Condition 4 of RS 1892 and Special Condition 8 of RS 1893. If adjustments are required, they would be filed with the BCUC for approval. BC Hydro notes that TS 74 would likely need to be amended for the purpose of determining RS 1892 and RS 1893 baseline adjustments if RS 1823 is restructured.

57. Question from a participant: 11:24 AM

Can baselines for 1892/3 be chosen by industries to reflect their non-interruptible load vs. interruptible load?

No. Customers are not able to "choose baselines" that represent a pre-determined mix of firm versus non-firm service. RS 1892 and RS 1893 baselines are determined in accordance with the special conditions of the applicable rate schedule.

58. Question from a participant: 11:27 AM

Will system impact studies for incremental energy be using N-0 criteria to reflect that the capacity is interruptible?

The customer is responsible to request and pay for a system impact study to assess the capability of the BC Hydro transmission system to serve the customer's load. If the customer's peak demand is increased and/or the customer is making changes at their substation including high voltage equipment and entrance Protection & Control as a result of incremental energy (whether it is interruptible or not) they must submit an interconnection request to BC Hydro.

BC Hydro will consider N-0 criteria in conducing a system impact study if the request is for interruptible service. If system reinforcements are triggered, these costs are allocated to the customer according to the terms of Tariff Supplement No. 6. System reinforcements may include protection and control / telecommunication upgrade to protect the integrity of BC Hydro system and the customer's system. If the customer request was for interruptible service under RS 1893, BC Hydro is under no obligation to reinforce its system and may refuse service where it does not have sufficient energy or capacity.

59. Question from a participant: 11:28 AM

What is the justification for the higher adder ($3 vs. $7 per MWh) in non-freshet months for RS 1893?

The analysis to support the CAD $3/MWh adder for the freshet months was completed as part of the impact evaluation for each year of the Freshet Rate Pilot. In consultation with customers regarding the RS 1892 adder pricing, BC Hydro observed strong opposition to the RS 1892 adder being priced higher than $3/MWh.

BC Hydro extensively consulted with customers on the energy charge adder that should apply for RS 1893 during the non-freshet months and the CAD $7/MWh is consistent with the feedback received. The energy charge adder of $3/MWh in the May, June and July Billing Periods and $7/MWh in all other Billing Periods for the Incremental Energy Rate is designed to address the appropriate adjustments to account for seasonal storage and wheeling.

The justification for the determination of the RS 1893 energy charge adder in freshet and non-freshet months is described in BC Hydro's Market Reference-priced Rate Application, dated October 31, 2019. Please also refer to section 5.5 of the application.

60. Question from a participant 11:29 AM

Wouldn't a rate structure pricing energy at or near its MC potentially obviate the need for the incremental and freshet rates?

BC Hydro is considering changes to its default rate structure for firm electricity service with energy prices that better reflect marginal cost. There may still be a need for rates such as the incremental energy and freshet rates which are for interruptible non-firm service and which do not charge for demand.

61. Question from a participant: 11:34 AM

Would you be able to provide an estimate if you went forward with a rate that had no negative impact to any customers, what revenue gap would be to get to neutrality?

For the purpose of this workshop #1, BC Hydro is considering rate designs that are revenue neutral and do not result in a revenue shortfall.

62. Question from a participant: 11:34 AM

How do the new proposed rates structures work if one has a number of years left of CBL adjustment credits?

BC Hydro will consider bill impact mitigation strategies of any potential rate restructuring, including consideration of the number of years left of CBL adjustment credits.

63. Question from a participant: 11:38 AM

Does BC Hydro not think the public may negatively view dropping a stepped rate schedule that encouraged energy efficiency?

BC Hydro views its engagement, including these workshops, to be a forum for all interested parties to express their concern or support for the rate restructuring. BC Hydro will consider the feedback received from all interested parties.

64. Question from a participant: 11:38 AM

RS 1823 was structured to incent energy conservation and efficiency. Will BC Hydro be implementing additional measures to capture cost effective DSM opportunities that may be lost if the rate is flattened?

BC Hydro is implementing cost effective DSM through our conservation programs.

65. Comment from a participant: 11:42 AM

The LRMC being so low is creating havoc with all these rates, with most businesses the incremental cost of an input would be the highest cost, not the lowest. In essence the shore power, and 1880 were all based on Tier 2 (LRMC), if that principle was applied going forward shore power and 1880 would be at, or less than the proposed flattening of current

66. Question from a participant: 11:43 AM

Are you working with BC Hydro's resource planning group in this analysis as there seem to be many overlapping analysis inputs and impacts? If not, why not?

Yes, the rates group works with BC Hydro's resource planning group in this analysis regarding BC Hydro's marginal cost of energy and its implications for rate design.

67. Question from a participant: 11:53 AM

In the case where a company makes use of the 1893 rate, over time does this not become part of the company's base line and then the company no longer has access to the 1893 rate?

If a Customer's RS 1893 baselines are no longer representative of the Customer's normal historical electricity usage absent the Incremental Energy Rate Pilot, then BC Hydro will make adjustments to those baselines consistent with the principles and criteria set out in TS 74 and with the approval of the BCUC. RS 1893 baseline adjustments are made in accordance with Special Condition 8 of RS 1893.

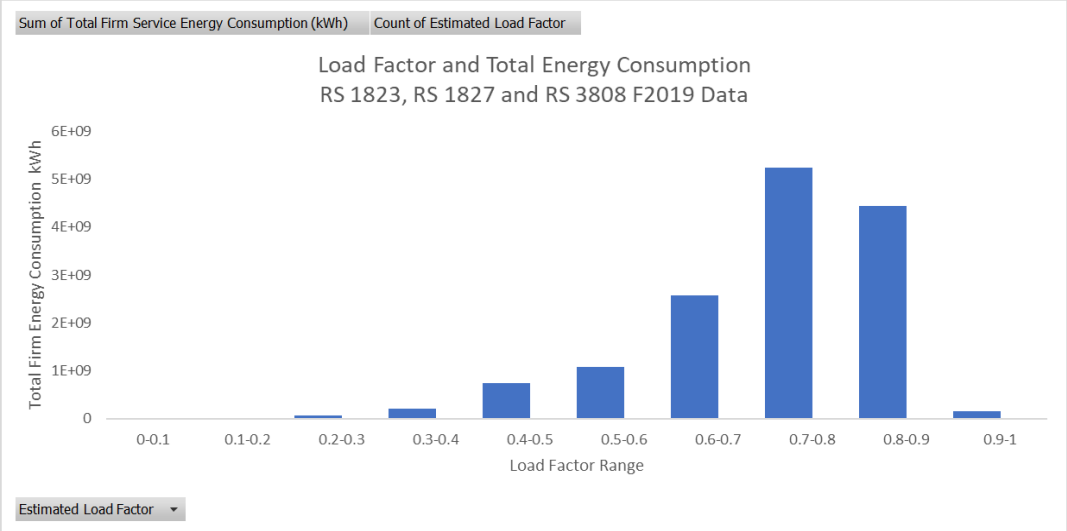
In addition, to mitigate any unintended use of RS 1893, Special Condition 11 of RS 1893 restricts the volume of incremental energy use to a maximum level that does not exceed two times the monthly baselines. If this special condition is triggered, the resultant baseline adjustment would ensure that the customer retains access to RS 1893 pricing for up to 50% of its incremental electricity use.

68. Questions received in Feedback Form from Workshop #1

Further data would be useful, including:

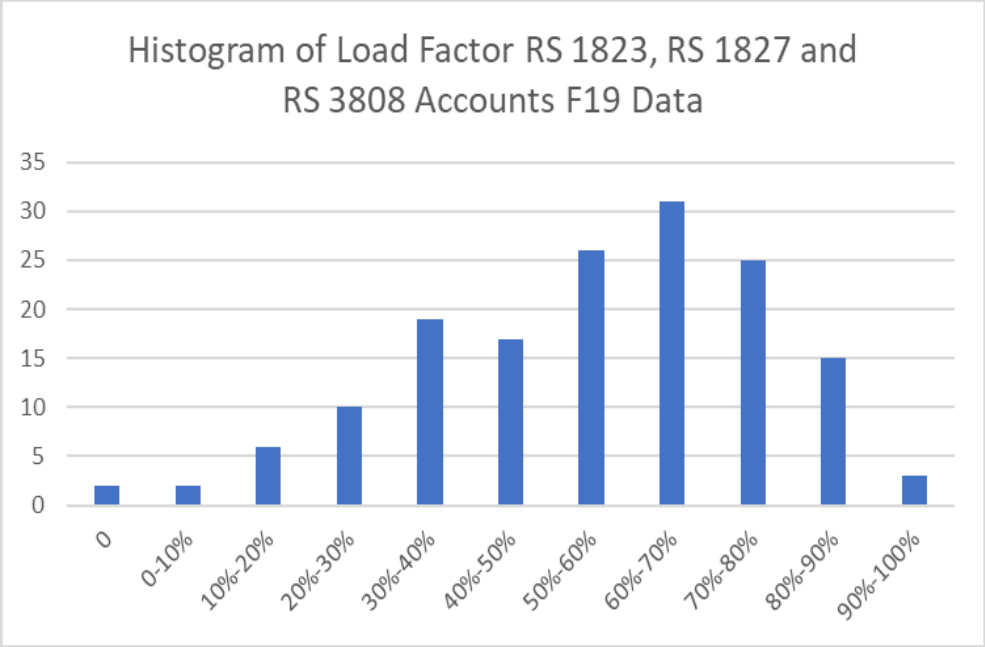
• A breakdown of the amount of total load at each load factor level (preferably more granular load factor levels than the 3 on slide 31)

Please see chart below.



- A breakdown of the number of customers in each load factor level, particularly in each of the 3 categories on slide 31),

Please see chart below.


Histogram of Load Factor RS 1823, RS 1827 and RS 3808 Accounts F19 Data
35
30
25
20
15
10
5
0
0
0-10%
10%-20%
20%-30%
30%-40%
40%-50%
50%-60%
60%-70%
70%-80%
80%-90%
90%-100%